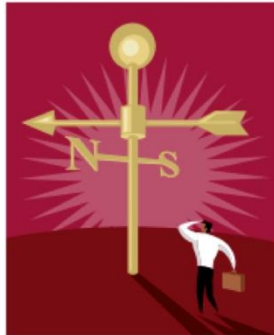


Issue 35: INSIDER'S EDGE: Reporting Income, Round 2

After *Issue 30: DOs and DON'Ts—MAGI is back!*, readers wanted more information on what types of income must be reported under MAGI (modified adjusted gross income). Today, we'll tackle a few questions from curious caseworkers.

Let's Get Re-Oriented: Where to turn?



Remember, the guidepost for determining MAGI is IRS Form 1040, U.S. Individual Tax Return. When considering what income must be reported for MAGI, applicants should look at lines 7 through 21 on Form 1040. Any income not counted as income on lines 7 through 21 will not be part of MAGI. (Remember, deductions from MAGI are drawn from lines 23 through 35—see *Issue 33: MAGI—What Can You Deduct?* for more on deductions).

Savvy Students: Loans, Scholarships, and Grants—What to Report as Income?



Should a student report student loans that they receive as income?

No. Funds received from student loans are not considered taxable income and should not be reported by an applicant as income in Maryland Health Connection.

Should a student report scholarships and grants as income?

Whether a student must report a scholarship or grant as income will depend on the purpose for which the scholarship or grant is used. In some cases, these funds must be reported as income. Money used toward tuition, fees, books, supplies, and equipment required for a student's courses does not need to be reported as income. However, grant or scholarship money used for other purposes (like housing, for example) must be reported as income.

Want to learn more? See [IRS Publication 970, Tax Benefits for Education](#).

Family Helping Family—Is it Child Support, a Gift, or Income?



Readers had questions about a scenario they covered during training involving an uncle caring for his brother's children. For the benefit of our Insiders who may not have encountered this example, consider the following:

- **Jerome cares for his niece and nephew, who currently live with him. The children's father pays Jerome money each month to help out with the children's care.**

Would the payment from the children's father to Jerome be considered child support?

As you may recall, child support payments do not count as income. However, the payment from the children's father to Jerome would not qualify as child support. Child support is a court-ordered payment requiring the noncustodial parent to pay child support to the custodial parent for the care of the child. A court may also order child support to be paid when parents share custody of a child. Child support payments help pay for the costs associated with raising the child.

So does this mean Jerome must report the money he receives from his brother to help pay for the children's care as income when he applies for coverage using Maryland Health Connection? In class, we were told the payment didn't count as income.

What you learned in class is correct. Jerome does not need to report the money he receives from his brother to help with the children's care as income. The payment can be characterized as a gift from the children's father to his brother, Jerome. Just like child support, gifts do not need to be reported as income.

That's it for now, Insiders! Questions? Send them to dhmh.medicaidmarge@maryland.gov.